

**Executive Board**  
**19 July 2022**

<b>Subject:</b>	Social Housing Decarbonisation Fund – Wave 1
<b>Corporate Director(s)/Director(s):</b>	Sajeeda Rose, Corporate Director for Growth and City Development Wayne Bexton, Director for Carbon Reduction, Energy and Sustainability
<b>Portfolio Holder(s):</b>	Councillor Sally Longford, Portfolio Holder for Energy, Environment and Waste Services
<b>Report author and contact details:</b>	Angie Lillistone, Head of Carbon Reduction Projects and Policy <a href="mailto:angie.lillistone@nottinghamcity.gov.uk">angie.lillistone@nottinghamcity.gov.uk</a>
<b>Other colleagues who have provided input:</b>	Catherine Judge, Senior Energy Projects Officer <a href="mailto:catherine.judge@nottinghamcity.gov.uk">catherine.judge@nottinghamcity.gov.uk</a>
<b>Subject to call-in:</b> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
<b>Key Decision:</b> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
<b>Criteria for Key Decision:</b>	
(a) <input checked="" type="checkbox"/> Expenditure <input checked="" type="checkbox"/> Income <input type="checkbox"/> Savings of £750,000 or more taking account of the overall impact of the decision	
<b>and/or</b>	
(b) Significant impact on communities living or working in two or more wards in the City <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
<b>Type of expenditure:</b> <input type="checkbox"/> Revenue <input checked="" type="checkbox"/> Capital Date considered by the Capital Board: 13 June 2022	
<b>Total value of the decision:</b> £6,476,179	
<b>Wards affected:</b> All	
<b>Date of consultation with Portfolio Holder(s):</b> 1 June 2022	

**Relevant Council Plan Key Outcome:**

Clean and Connected Communities	<input type="checkbox"/>
Keeping Nottingham Working	<input type="checkbox"/>
Carbon Neutral by 2028	<input checked="" type="checkbox"/>
Safer Nottingham	<input type="checkbox"/>
Child-Friendly Nottingham	<input type="checkbox"/>
Healthy and Inclusive	<input type="checkbox"/>
Keeping Nottingham Moving	<input type="checkbox"/>
Improve the City Centre	<input type="checkbox"/>
Better Housing	<input checked="" type="checkbox"/>
Financial Stability	<input checked="" type="checkbox"/>
Serving People Well	<input type="checkbox"/>

**Summary of issues (including benefits to citizens/service users):**

The Council has been allocated a total of £2,881,923.67 from the Department for Business, Energy and Industrial Strategy (BEIS) for Wave 1 of the Social Housing Decarbonisation Fund (SHDF) scheme, which will run from 1 April 2022 to 31 March 2023. This allocation represents a proportion of the consortium bid awarded to the Midlands Net Zero Hub (MNZH), which received a total of £14.89 million of Government funding.

The Council is now seeking approval to accept and spend its allocation of the MNZH consortium bid, and to utilise £1,891,876 of funds allocated within the Housing Revenue Account (HRA) and Public Sector Housing Capital Programme (PSHCP) as match funding. The SHDF scheme aims to deliver warm, energy-efficient homes, reduce carbon emissions and fuel bills, tackle fuel poverty, and support green jobs.

**Does this report contain any information that is exempt from publication?**

No

**Recommendation(s):**

1. To accept and spend the grant allocation of £2,881,923.67 from the Department for Business, Energy and Industrial Strategy in line with the Social Housing Decarbonisation Fund (SHDF) Wave 1 bid, to support the regional delivery of the SHDF scheme through the Midlands Net Zero Hub.
2. To delegate authority to the Director for Carbon Reduction, Energy and Sustainability to manage the grant, including to approve entering into agreements with third parties for the provision of goods and services associated with the delivery of the project.
3. To approve the expenditure of £20,000 of the grant funding to cover Council staff time in administering the grant.
4. To utilise Nottingham City Homes as the managing agent on the Council's behalf for the delivery of the grant-funded works, in accordance with the existing

management agreement.

5. To approve the use of this grant alongside match funding from current budgets contained within the approved Public Sector Housing Capital Programme (PSHCP). The budget for match funding has been identified for these properties within the PSHCP period to March 2028, and details of all movements are contained within the Finance comments.

## 1. Reasons for recommendations

- 1.1 The SHDF scheme is being launched over a 10-year period to improve the energy performance of social rented homes, on the pathway to net zero carbon emissions by 2050. The scheme aims to support the social housing sector across England, improving the comfort and wellbeing of residents by installing energy efficiency and low-carbon heating upgrades.
- 1.2 The SHDF scheme aims to deliver warm, energy-efficient homes, reduce carbon emissions and fuel bills, tackle fuel poverty, and support green jobs. This directly supports the Council's 2018-25 Fuel Poverty Strategy and will see fuel bills reduce at a time when energy prices are at a record high. Additionally, the project will drive retrofit measures to improve building fabric, decarbonise heating systems and see more renewable energy in social housing across the city and region, supporting the Council's Carbon Neutral by 2028 aspiration and national carbon reduction targets.
- 1.3 The project is also intended to stimulate the supply chain and facilitate a green economic recovery from the Covid-19 pandemic. These funds will help bring forward a range of works that would not otherwise take place, enabling homes in fuel poverty to reduce energy costs and improve energy performance, addressing challenging stock and creating local jobs through transferring central Government funding to the private sector.

## 2. Background

- 2.1 The Council's Carbon Reduction, Energy and Sustainability Division is the accountable body for the MNZH. The BEIS has commissioned the MNZH to deliver the SHDF scheme as the Lead Authority for consortia members. In October 2021, a key decision (4415 – Social Housing Decarbonisation Fund) was approved to bid for and accept funding from the BEIS under the SHDF Wave 1. Delegated Decision 4568 was taken on 18 March 2022 for the MNZH to allocate the funds to the consortium members. The Council has been allocated a total of £2,881,923.67 for Wave 1 of the SHDF scheme, which will run from 1 April 2022 to 31 March 2023.
- 2.2 The funding will be spent in accordance with a Section 31 grant and associated Memorandum of Understanding. Delivery will be supported through internal Council teams, including the Carbon Reduction, Energy and Sustainability Division, Procurement, and Legal, with funding available for staffing costs. The project will be delivered by the Council, with Nottingham City Homes (NCH) acting as managing agent until such time as this service is brought back in house under the management agreement it has in place, for the management of the Council's housing stock. NCH

will procure third-party contractors on the Council's behalf under an approved tender process or utilise existing framework agreements, but the Council will be the contracting party for the purposes of the contractual arrangements.

- 2.3 The Executive Board meeting on 19 November 2019 approved the governance arrangements for retrofit projects. This includes the establishment of a Project Advisory Board and Project Steering Group. The Council chair the Council House Energy Efficiency Programme Board, which includes colleagues from both the Council and NCH. Governance structures will follow this established existing process already in place for other grant funded-programmes on social housing of this type, with regular steering group meetings reporting through to a monthly meeting of the Board.

### 3. Other options considered in making recommendations

- 3.1 To not accept the funding: this option is rejected as this funding offers the opportunity to address fuel poverty and domestic decarbonisation issues within social housing across Nottingham, helping to improve the lives of citizens and directly contributing towards the Council's carbon neutral targets. Not accepting the funding would greatly limit the Council's ability to deliver these outcomes.

### 4. Consideration of Risk

- 4.1 A full risk register has been completed for the SHDF Wave 1 and is included in the Project Initiation document.

### 5. Finance colleague comments

- 5.1 The HRA match funding for the BEIS grant of £2.9 million is coming from capital budgets within the current PSHCP. All of the identified budgets are funded from the Major Repairs Reserve unless otherwise stated and will be vired from the projects and financial years as identified below:

<b>Project</b>	<b>2022/23 £</b>	<b>2023/24 £</b>	<b>2024/25 £</b>	<b>2025/26 £</b>	<b>2026/27 £</b>	<b>Total £</b>
Roof & Chimney Replacement	-	665,926	-	-	-	<b>665,926</b>
Nottingham Secure – Windows	26,019	24,696	21,168	66,150	-	<b>138,033</b>
Nottingham Secure – Doors	17,847	7,271	7,271	13,220	-	<b>45,609</b>
Externals (Properties)	-	2,739,196	11,400	22,790	54,450	<b>2,827,836</b>
Heating	-	331,539	9,344	5,092	-	<b>345,975</b>
Electrical Infrastructure	900	200	200	200	1,300	<b>2,800</b>
Phase 1(*)	2,450,000	-	-	-	-	<b>2,450,000</b>
<b>Total</b>	<b>2,494,766</b>	<b>3,768,828</b>	<b>49,383</b>	<b>107,452</b>	<b>55,750</b>	<b>6,476,179</b>

(\*) Funding for Phase 1 is as follows: £1.2 million from Major Repairs Reserve and £1.25 million from secured Capital Receipts.

- 5.2 Accelerating the work as detailed in Table 1 could mean that the HRA is replacing items with Council Dwellings that still have a short period of life remaining.
- 5.3 The grant of £2.9 million, combined with the £6.5 million of match funding, means the projects within this report have a combined value of £9.4 million, as detailed in Table 2. Following approval of this decision, the Capital Programme will be updated as detailed in Table 2, below:

<b>Table 2: PSHCP Capital Programme</b>				
	<b>Phase 1</b>	<b>Phase 2</b>	<b>Phase 3</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Capital Expenditure</b>	3,795,907	961,274	4,600,922	<b>9,358,103</b>
Capital Funding				
Grant – SHDF Wave 1	(806,724)	(618,533)	(1,456,667)	<b>(2,881,924)</b>
PSHCP Match Funding	(2,989,183)	(342,741)	(3,144,255)	<b>(6,476,179)</b>
<b>Total Funding</b>	<b>3,795,907</b>	<b>961,274</b>	<b>4,600,922</b>	<b>(9,358,103)</b>

- 5.4 The project manager is required to ensure that all expenditure incurred is compliant with the grant conditions, including the grant period that currently expires on 31 March 2023, and expenditure is correctly capitalised.
- 5.5 This decision was approved at the Capital Board meeting on 13 June 2022 and, during this process, the decision was endorsed by the Council’s Section 151 Officer, and the Council is satisfied that this decision is an appropriate use of HRA funds.

Comments provided by Tom Straw, Senior Accountant (Capital Programmes), on 21 June 2022.

## **6. Legal colleague comments**

- 6.1 This report seeks approval to accept and authorise the spend of grant funding received from the BEIS for the delivery of the SHDF Wave 1 project. The Council will be using the funding to arrange for energy performance measures to be carried out on its own housing stock. The Council proposes to use Nottingham City Homes (NCH), its wholly-owned subsidiary responsible for management of the Council's housing stock, to deliver measures as its managing agent under the management agreement.
- 6.2 The Council will make use of the ‘Teckal exemption’ under the Public Contracts Regulations 2015 to award a contract to NCH without undertaking a tender process. The Council's Contract Procedure Rules permit awards to 'Teckal' companies provided they can satisfy best value, which it is understood NCH is deemed to do.
- 6.3 Where contractors and third parties are required, they will be procured by NCH on the Council's behalf, as its agent through competitive tender processes or utilising existing framework agreements, to ensure compliance with the Public Contracts Regulations (PCR) 2015. However, the Council will be the direct contracting party with any third-party contractors.

- 6.4 The MNZH has obtained external legal advice with respect to the receipt and use of the grant funding to ensure compliance with the subsidy control rules, the assessment of which is supported by the Council in line with its intended use of the grant monies. The grant money must be used in accordance with any grant conditions imposed upon receipt and must continue to be compliant with the PCR and subsidy control rules.

Comments provided by Dionne Scream, Senior Solicitor – Contracts and Commercial, on 21 June 2022.

## **7. Procurement colleague comments**

- 7.1 This report seeks approval to appoint Nottingham City Homes (NCH) to act as managing agents for the Council. This appointment is allowed under section 18.28 of the Contract Procedure Rules on the understanding that they satisfy the criteria for award of contract to a controlled person in accordance with regulation 12(1) of the Public Contracts Regulations 2015 (the 'Teckal' exemption). However, the following should be noted:
- (a) formal contract between the Council and NCH must be entered into for this scheme in accordance with section 18.29 of the Contract Procedure Rules;
  - (b) the announcement on the 23 June that the Secretary of State is minded to exercise their powers of direction under section 15 of the Local Government Act 1999 to secure compliance with the Council's best value duty following the recent reviews of Council activity. As the Council have not been made privy to an options appraisal, business case, or other assessment, for using NCH rather than internal Council resources for this project, or the costs associated with it, the decision-makers should ensure they have reviewed this information to satisfy themselves that this approach provides best value for the Council;
  - (c) in light of the stated intention to bring NCH back into direct management by the Council within the next 12 months, and the likely timescales required for a full procurement exercise, it is not clear as to the proposed benefits to the Council of NCH procuring these contracts rather than the Council's Procurement Team doing so. The decision-makers should ensure they have reviewed this information to satisfy themselves that this approach provides the most suitable arrangement for the Council; and
  - (d) the Council is the Accountable Body for Housing Revenue Account funding, and will be entering into the contract/s. Where procurement activity is to be carried out on behalf of the Council, NCH must ensure that they are compliant with the Council's Contract Procedure Rules and the Public Contracts Regulations 2015, and any other applicable legislation such as Subsidy Control.

Comments provided by Jonathan Whitmarsh, Lead Procurement Officer, on 27 June 2022.

## **8. Equality Impact Assessment (EIA)**

8.1 An EIA is attached as Appendix 1, and due regard will be given to any implications identified in it.

## **9. Data Protection Impact Assessment (DPIA)**

9.1 A DPIA is not required because no personal information will be shared as part of this project. Privacy notices and processing agreements will be in place for all contractors.

## **10. Carbon Impact Assessment (CIA)**

10.1 A CIA is attached as Appendix 2, and due regard will be given to any implications identified in it.

## **11. List of background papers relied upon in writing this report**

11.1 None.

## **12. Published documents referred to in this report**

12.1 Delegated Decision 4415 – Social Housing Decarbonisation Fund  
<https://committee.nottinghamcity.gov.uk/ieDecisionDetails.aspx?ID=7768>

12.2 Delegated Decision 4568 – Social Housing Decarbonisation Fund  
<https://committee.nottinghamcity.gov.uk/ieDecisionDetails.aspx?ID=7933>

12.3 Executive Board meeting on 19 November 2019 – Social Housing Energy Retrofit (Energiesprong)  
<https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CIId=177&MIId=7976&Ver=4>